



September 2009 quarterly report & Appendix 5B

September quarter activities

- Longtom gas project: subsea pipeline connection work completed and pressure testing concluded.
- Crux liquids project: commenced reviews with a range of new parties for potential purchase of an equity interest in the project.
- Conditional sale of a 50% interest in the Longtom gas project and exploration permit VIC/P54 to AED Oil Limited ("AED") did not complete due to project delay.
- Cash balance at quarter end A\$53 million.
- Announcement of placement and fully underwritten non-renounceable rights issue to raise a combined A\$74 million (before costs and expenses). Placement completed in September 2009 with the rights issue completed in October 2009.

Post quarter end and forecast activities for the December 2009 quarter

- Offshore installation activities completed and first gas production commenced from the Longtom gas project.
- Completion of rights issue.

Development projects

Longtom gas project (Nexus 100%)

VIC/L29 – Gippsland Basin, Victoria

Development of the Longtom gas project continued during the quarter with first gas production after the end of the period. First gas from the Longtom field was achieved on 21 October 2009 with continuous gas export from 24 October 2009. The Longtom gas project is expected to provide Nexus with stable cash flow over the next ten plus years on the back of a Gas Sales Agreement to supply Santos Ltd 350 PJ.

Activity during the September quarter included:

- Contracting and mobilisation of an alternate diving support vessel (*Rem Etive*) from Singapore to complete the offshore installation works.
- Tie-in spools installed to connect the offshore pipeline to previously drilled and completed Longtom-3 and Longtom-4 development wells.
- Successful hydro-test of the entire offshore system.
- At the end of the quarter, the pipeline was being dewatered and the subsea control umbilicals were being hooked up to the wells and Patricia Baleen facilities, with a view to commissioning facilities in October.

Results from the Garfish-1 exploration well and Longtom-4 development well are being incorporated into the Longtom gas field reservoir model to review current 1P and 2P reserve estimates. The outcome of this study work is expected prior to year end.

Due to the delay to the completion of the Longtom gas project, certain conditions which were required to be satisfied by 15 September 2009 were not met and as a result the sale to AED for a 50% interest in Longtom and exploration permit VIC/P54 could not proceed. Nexus will refund the A\$35 million deposit plus interest to AED by the end of January 2010.

The company continues to believe that crystallising value from the Longtom asset via a part sale remains an appropriate corporate objective as it provides further funding to enhance Nexus' asset base and the opportunity to de-leverage Nexus' balance sheet. Nexus intends to pursue an alternative part sale of Longtom with parties that have expressed interest in the asset.

Crux liquids project (Nexus 85%) **

AC/L9 – Browse Basin, Western Australia

The stabilisation of the oil price above US\$65/bbl and the gradual improvement in the world economy has seen Nexus receive new enquiries regarding potential for investment in the Crux liquids project. Nexus has commenced reviews of the project for those companies with discussions still in preliminary phases.

Nexus has also commenced studies into the resource value in the circumstance where the liquids project does not proceed. This would be on the basis that the Joint Venture retains ownership of the condensate in a future development with Shell. Preliminary indications are that this scenario retains a substantial portion of the resource value under a liquids project scenario provided sufficient resources are proved to make an FLNG project attractive for Shell (the owner of the gas rights). The ultimate goal under this scenario would be to accelerate an FLNG project ahead of the 2021 date if sufficient gas reserves are available to support a standalone FLNG development.

The company intends to pursue both the liquids development option and determine the potential for an accelerated FLNG scenario in parallel. Nexus recognises that the commercialisation of the liquids project provides the company with the greatest certainty and value providing a part sale of the asset can be achieved that reflects the significant value of the liquids project. Nexus intends to reinvigorate the Crux sell down process to achieve the stated goal of achieving FID for the project by the end of 2010.

***Nexus holds an 85% interest in the liquids in AC/L9 which may be recovered via a liquids project prior to 2021 or alternatively, in circumstances where the liquids joint-venture unanimously decides not to progress with a liquids stripping project and notifies Shell of the same prior to 31 December 2020, via a possible Shell operated gas and liquids project in which case the 2021 end date does not apply.*

Appraisal and exploration assets

Exploration activity has focused on maturing plans for potential prospects, subject in certain cases to securing appropriate farm-out arrangements. Prospects include, in the Browse Basin: Auriga-1 in the Crux permit AC/L9, Fossetmaker-2 in WA-377-P (Echuca Shoals); Dusky-1 in VIC/P49 and Longtom West in VIC/P54 in the Gippsland Basin; and Yngling-1 in the Perth Basin in WA-368-P.

AC/L9 Licence (Nexus 85%)

Browse Basin, Western Australia

Two near field appraisal opportunities at Auriga and Caelum have been identified as possible additions to the Crux field. The successful Libra-1 gas/condensate discovery in the adjacent exploration permit AC/P41 has increased the confidence of encountering significant additional hydrocarbons in the Auriga structure. Drilling activity is on hold until a new partner is identified. During the quarter Nexus received results from the Shell operated Octans-1 exploration well in AC/P41 via a data trade. Work is underway to incorporate these results into the field analysis however, Nexus does not expect this to significantly change the field development plans.

Echuca Shoals gas discovery (Nexus 66%)

WA-377-P Permit – Browse Basin, Western Australia

Additional geological studies have indicated that the Echuca Shoals Tithonian reservoir section is stratigraphically isolated, highlighting the up-dip potential for additional trapped gas. The Fossetmaker-1 well is interpreted to have intersected the gas-water-contact and detailed seismic inversion studies and an assessment of the well data indicate that the potential gas in place at the Echuca Shoals gas field within WA-377-P is approximately 2 Tcf, with the potential for associated condensate. Geological studies also indicate the presence of a deeper exploration target which has the potential to add another 2 Tcf of gas in place. Two additional leads in a deeper and older reservoir section have also been identified on 3D seismic in the north-east of the permit. Nexus plans to farm-out equity in the permit to fund drilling activity.

WA-424-P (Nexus 100%)

Browse Basin, Western Australia

Technical evaluation of WA-424-P has begun with the intention of farming out an interest before a commitment well is scheduled to be drilled in late 2010. The oil potential of the permit is confirmed by the small Gwydion oil field which was discovered in 1995. A review of the potential commerciality of this field and an adjacent structure is underway. In addition several large stratigraphic leads have been identified and work is underway to define drill ready prospects.

VIC/P54 Permit (Nexus 100%)

Gippsland Basin, Victoria

Reprocessing and inversion of 3D seismic data is underway over the Longtom field and the eastern part of VIC/P54 to determine the potential for the Longtom trend at the Admiral formation level to extend into this part of the permit. A gas discovery here could be tied into the nearby Longtom production facilities.

VIC/P49 Permit (Nexus 80%)

Gippsland Basin, Victoria

The Dusky prospect is a possible extension of the Basker field and is mature for drilling. There is potential for Dusky-1 to be drilled utilising the Kan Tan IV rig in 2H 2010, subject to Joint Venture approval. Interpretation of seismic data over the deep water part of the permit has identified several large structures and further work to generate drill ready prospects is underway prior to farming out an interest in the permit.

WA-368-P (Nexus 50%)

Perth Basin, Western Australia

Yngling is an oil prospect with a mean unrisks resource of 90 MMbbl. Nexus will seek to farm-out equity in the permit prior to drilling the prospect.

NT/P66 (Nexus 100%)

Bonaparte Basin, Northern Territory

No activity during the quarter. All drilling commitments for this permit have been fulfilled.

Corporate

Cash and funding

At the end of September the company's cash balance was A\$53 million. Financing activity during the quarter included:

- Completion of a placement of 96.8 million shares to institutional and sophisticated investors at an issue price of A\$0.32 per share raising A\$31 million.
- Longtom development expenditures of A\$29 million
- Crux Long Lead Items of A\$14 million.

At 30 September 2009, A\$133 million of the A\$160 million Longtom project finance facility (development facility and cost overrun facility) was drawn, with A\$27 million remaining undrawn. Cash costs to completion on the Longtom project as at 30 September 2009 were estimated at approximately A\$33 million, out of a total revised project direct capital cost of A\$315 million. The balance of A\$8 million was injected from Nexus own resources.

During the quarter Nexus also announced a fully underwritten 1 for 3.75 non-renounceable rights issue at a price of A\$0.22 per share to raise A\$44 million. The rights issue is fully underwritten by Southern Cross Equities Limited and fully sub-underwritten by Azure Capital Pty Ltd and was completed in October 2009.

Susan Robutti
Company Secretary

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Appendix 5B

Mining exploration entity quarterly report

Introduced 1/7/96. Origin: Appendix 8. Amended 1/7/97, 1/7/98, 30/9/2001.

Name of entity

Nexus Energy Ltd

ABN

64 058 818 278

Quarter ended ("current quarter")

30 September 2009

Consolidated statement of cash flows

		Current quarter	Year to date (3 months)
		A\$'000	A\$'000
Cash flows related to operating activities			
1.1	Receipts from product sales and related debtors		
1.2	Payments for		
	(a) exploration and evaluation	(571)	(571)
	(b) development	(42,868)	(42,868)
	(c) production		
	(d) administration	(3,595)	(3,595)
1.3	Dividends received		
1.4	Interest and other items of a similar nature received	248	248
1.5	Interest and other costs of finance paid	(2,951)	(2,951)
1.6	Income taxes paid		
1.7	Other – GST, FX gains/losses	(1,678)	(1,678)
	Net Operating Cash Flows	(51,415)	(51,415)
Cash flows related to investing activities			
1.8	Payment for purchases of:		
	(a) prospects		
	(b) equity investments		
	(c) other fixed assets	(31)	(31)
1.9	Proceeds from sale of:		
	(a) prospects		
	(b) equity investments		
	(c) other fixed assets		
1.10	Loans to other entities		
1.11	Loans repaid by other entities		
1.12	Other – Sale of permit interests		
	Net investing cash flows	(31)	(31)
1.13	Total operating and investing cash flows (carried forward)	(51,446)	(51,446)

+ See chapter 19 for defined terms.

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Mining exploration entity quarterly report

1.13	Total operating and investing cash flows (brought forward)	(51,446)	(51,446)
	Cash flows related to financing activities		
1.14	Proceeds from issues of shares, options, etc.	30,976	30,976
1.15	Proceeds from sale of forfeited shares		
1.16	Proceeds from borrowings	18,900	18,900
1.17	Repayment of borrowings		
1.18	Dividends paid		
1.19	Other		
	– borrowing transaction costs		
	– equity transaction costs	(178)	(178)
	– Finance lease repayments		
	Net financing cash flows	49,698	49,698
	Net increase (decrease) in cash held	(1,748)	(1,748)
1.20	Cash at beginning of quarter/year to date	55,377	55,377
1.21	Exchange rate adjustments to item 1.20	(492)	(492)
1.22	Cash at end of quarter	53,137	53,137

Payments to directors of the entity and associates of the directors
Payments to related entities of the entity and associates of the related entities

		Current quarter \$A'000
1.23	Aggregate amount of payments to the parties included in item 1.2	688
1.24	Aggregate amount of loans to the parties included in item 1.10	Nil

1.25 Explanation necessary for an understanding of the transactions

Non-cash financing and investing activities

2.1 Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows

Increase in loan facilities available and used resulting from capitalised interest during the quarter amounted to \$4.4 million.

2.2 Details of outlays made by other entities to establish or increase their share in projects in which the reporting entity has an interest

+ See chapter 19 for defined terms.

Financing facilities available

Add notes as necessary for an understanding of the position.

	Amount available \$A'000	Amount used \$A'000
3.1 Loan facilities	292,919	265,908
3.2 Credit standby arrangements (\$60m letter of credit provided as security for completion of certain capital works on the Longtom project and for obligations in respect to gas deliveries)	60,000	60,000

Estimated cash outflows for next quarter

	\$A'000
4.1 Exploration and evaluation	1,301
4.2 Development	33,000
Total	34,300

+ See chapter 19 for defined terms.

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Mining exploration entity quarterly report

Reconciliation of cash

Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.		Current quarter \$A'000	Previous quarter \$A'000
5.1	Cash on hand and at bank	27,900	46,578
5.2	Deposits at call	1,620	1,613
5.3	Bank overdraft		
5.4	Other (including escrow accounts and project finance facility reserve account)	23,617	7,186
Total: cash at end of quarter (item 1.22)		53,137	55,377

Changes in interests in mining tenements

	Tenement reference	Nature of interest (note (2))	Interest at beginning of quarter	Interest at end of quarter
6.1	Interests in mining tenements relinquished, reduced or lapsed			
6.2	Interests in mining tenements acquired or increased			

+ See chapter 19 for defined terms.

Issued and quoted securities at end of current quarter

Description includes rate of interest and any redemption or conversion rights together with prices and dates.

	Total number	Number quoted	Issue price per security (see note 3)	Amount paid up per security (see note 3)
7.1 Preference +securities <i>(description)</i>				
7.2 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions				
7.3 +Ordinary securities	742,150,183	742,150,183		
7.4 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs	96,800,000	96,800,000	\$0.32	\$0.32
7.5 +Convertible debt securities <i>(description)</i>				
7.6 Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted				
7.7 Options <i>(description and conversion factor)</i>	31,884,058 90,000 148,000 359,800 2,590,700 5,076,000		<i>Exercise price</i> 207 cents 225 cents 219 cents 225 cents 150 cents Zero	<i>Expiry date</i> 15 January 2013 <i>(warrants)</i> 28 April 2011 23 May 2011 23 May 2011 24 December 2012 30 June 2012
7.8 Issued during quarter			<i>Exercise Price</i>	<i>Expiry Date</i>

+ See chapter 19 for defined terms.

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7.9	Exercised during quarter			<i>Exercise Price</i>	<i>Exercise Date</i>
7.10	Expired during quarter	99,500 97,600		<i>Exercise Price</i> 233 cents 225 cents	<i>Expiry Date</i> 27 July 2009 28 September 2009
7.11	Debentures <i>(totals only)</i>				
7.12	Unsecured notes <i>(totals only)</i>				

Compliance statement

- 1 This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Act or other standards acceptable to ASX (see note 4).
- 2 This statement does give a true and fair view of the matters disclosed.

Sign here: Date: 30 October 2009
 Company Secretary

Print name: Susan Robutti

Notes

- 1 The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity wanting to disclose additional information is encouraged to do so, in a note or notes attached to this report.
- 2 The "Nature of interest" (items 6.1 and 6.2) includes options in respect of interests in mining tenements acquired, exercised or lapsed during the reporting period. If the entity is involved in a joint venture agreement and there are conditions precedent which will change its percentage interest in a mining tenement, it should disclose the change of percentage interest and conditions precedent in the list required for items 6.1 and 6.2.
- 3 **Issued and quoted securities** The issue price and amount paid up is not required in items 7.1 and 7.3 for fully paid securities.
- 4 The definitions in, and provisions of, *AASB 6: Exploration for and Evaluation of Mineral Resources* and *AASB 107: Cash Flows Statement* apply to this report.
- 5 **Accounting Standards** ASX will accept, for example, the use of International Accounting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if any) must be complied with.

+ See chapter 19 for defined terms.

Schedule of Exploration Permits
Held by Consolidated Entity
At 30 September 2009

Permit	Basin	Interest %
VIC/P54	Gippsland	100
VIC/L29	Gippsland	100
VIC/P49	Gippsland	80
NT/P66	Bonaparte	100
WA-368-P	Perth	50
AC/L9* (Formerly AC/P23)	Browse	85
WA-377-P	Browse	66
WA-424-P	Browse	100

*Production licence AC/L9 was granted in February 2009.

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+ See chapter 19 for defined terms.